

Weekly Market Bulletin

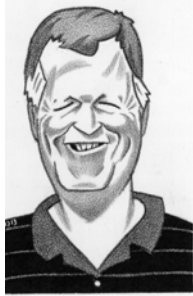
State of New Hampshire
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Governor

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From Your Commissioner...

Cost of Feed Hinders Organic Dairy Growth

Consumer demand for organic milk and other dairy products is booming in the Northeast, and the major buyers of organic milk at the farm are scrambling for additional supplies to keep up with sales.

H.P. Hood, Horizon Dairy and Organic Valley are all offering \$1 a hundredweight subsidies for producers in the one-year transition from conventional to organic plus an incentive for signing up to go organic. All three offer a base pay of \$22 per cwt and various premiums for components, volume and quality that can lift a producer's check close to \$30.

But it's not all hunky-dory with New England's organic dairy farmers, though. Prices for organic grain have risen sharply in recent months, thanks to surging demand from both dairy and poultry, and operators are paying in the \$400 a ton range for manufactured feeds, close to double what conventional rations cost.

In Maine, where there are about 60 certified organic dairies, a half dozen have recently exited the business, including a large operation whose cows fetched \$2,400 apiece. They quit because they couldn't make ends meet with current grain costs.

Earlier this month I visited with Erik Johnson, a partner in a midsize organic dairy in central Maine. His operation is succeeding because it has extensive cropland for growing corn for silage and grain plus haylage and lots of pasture close to the barns for rotational grazing. His farm purchases only a small amount of plant protein products to balance a total mixed ration.

Without plenty of homegrown feed he doubts the numbers would work, even with \$25 milk. But producers relying on heavy feeding of purchased grain to get milk out of their cows face the realities of scarce organic corn and soy having to be shipped here from long distances with ever more costly diesel fuel.

At the national level, too, the organic milk situation is a turbulent one, with Dean Foods and its Horizon brand becoming the dominant force in the market, controversy over whether mega-sized western confinement herds should be certified under USDA organic standards and looming competition from New Zealand's growing organic dairy sector.

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I'm-not-making-this-up dept.: A rural county in Pennsylvania is putting together a brochure for people considering purchasing homes there that includes a "scratch-'n'-sniff" panel to introduce them to the scent of manure. Lebanon County thus hopes to cut down on odor complaints when farmers are topdressing their fields.

"This is to educate people that if they have a farmer for a neighbor they might have manure smells," says a county official quoted in *The Week* magazine.

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Following several rocky years under previous owners the mills in Berlin and Gorham are back up and running at 100 percent capacity. Fraser Papers has the facilities manufacturing pulp and paper products exclusively from hardwood, and has made a number of upgrades that show a commitment for the long haul in Coos County.

Among improvements completed in the past year are a \$35 million co-generation plant that cuts energy costs and

new scales and dumping equipment that sharply reduce the unloading time for the dozens of chip and roundwood trailers that roll into the wood yard every day.

Fraser is a major supporter of the New Hampshire Sustainable Forestry Initiative, requiring all of its contract holders to be Logger Certified and conducting in-woods job audits with its harvesting contractors.

Other major industry players in the New Hampshire Sustainable Forestry Initiative include MeadWestvaco, Sappi Fine Paper, Plum Creek Timber Company, HHP Inc., Hancock Lumber and the Society for the Protection New Hampshire Forests.

Steve Taylor, Commissioner